

Report on the

**Lurleen B. Wallace Community College**

**Andalusia, Alabama**

**October 1, 2019 through September 30, 2020**

Filed: August 6, 2021



**Department of**  
**Examiners of Public Accounts**

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Lurleen B. Wallace Community College, Andalusia, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Bodie Pickens and Sara Davis. I, Bodie Pickens, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Bodie Pickens  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Lurleen B. Wallace Community College  
October 1, 2019 through September 30, 2020**

**Lurleen B. Wallace Community College Foundation  
July 1, 2019 through December 31, 2019**

Lurleen B. Wallace Community College (the “College”) serves residents of a five-county area consisting of Butler, Crenshaw, Coffee, Covington and Geneva as well as the neighboring Florida counties of Jackson, Holmes, Okaloosa, Santa Rosa, Walton and Washington from its campuses located in Andalusia, Opp and Greenville, and an additional instructional center located in Luverne. The College provides general education at the freshman and sophomore levels leading to the Associate in Arts or the Associate in Science degree that is designed to facilitate transfer to a senior college or university. The College also provides academic, technical, vocational and career education programs that prepare students for employment in an occupational field and leads to certificates and/or the Associate in Applied Science degree.

Lurleen B. Wallace Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of the Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System Office and is accredited by the Southern Association of Colleges and Schools.

Lurleen B. Wallace Community College Foundation (the “Foundation”) was organized to pursue financial support and to promote the programs of Lurleen B. Wallace Community College. The Foundation receives, administers, and distributes funds for the benefit of Lurleen B. Wallace Community College.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the College's component unit, the Foundation, which was audited by other auditors. The College's audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. The Foundation's audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the College and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal years ending September 30, 2020, and December 31, 2019, respectively.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

#### **EXIT CONFERENCE**

The following officials/employees were invited to an exit conference to discuss the results of the audit: Jimmy Baker, Chancellor of the Alabama Community College System; Dr. Brock Kelley, President; Lisa Carnley, Chief Financial Officer and Senior Personnel Officer; and Donna Bass, Director of Financial Aid. The following individuals attended the exit conference: Dr. Brock Kelley, President; Lisa Carnley, Chief Financial Officer and Senior Personnel Officer; and Donna Bass, Director of Financial Aid represented the College. Bryan Helms, Vice-Chancellor for Administrative and Financial Services; Sara Calhoun, Executive Director of Fiscal Services; Billy Merrill, Associate Director of Fiscal – Special Projects; and Donna Boutwell, Director of Compliance represented the Alabama Community College System via teleconference. Representing the Department of Examiners of Public Accounts were Mary Ann DuBose, Audit Manager; Bodie Pickens, Examiner; and Sara Davis, Examiner.



Department of  
**Examiners of Public Accounts**

**COMMENTS**

**Lurleen B. Wallace Community College  
October 1, 2019 through September 30, 2020**

Lurleen B. Wallace Community College was created by action of the Alabama State Board of Education on January 23, 2003. The Board action consolidated Lurleen B. Wallace Junior College and Douglas MacArthur State Technical College. Lurleen B. Wallace Community College is a multi-campus comprehensive community college with campuses in Andalusia, Greenville, and Opp, Alabama.

Douglas MacArthur State Technical College had its origin on May 3, 1963 when Act Numbers 92, 93, and 94 of Acts of Alabama 1963 were approved. Act Number 92 on page 257 provided funds to pay the principal and interest on bonds, not exceeding \$15,000,000, issued and sold by the public corporation known as the Alabama Trade School and Junior College Authority. Act Number 93 on page 259 authorized the Governor, the Director of Finance, and the State Superintendent of Education to become a corporation, to be known as the Alabama Trade School and Junior College Authority, with the objective of providing for the construction and equipment of educational institutions within the state known as junior colleges and trade schools. Act Number 94 on page 268 vested in the Alabama State Board of Education the authority and responsibility for the operation, management, control, supervision, maintenance, regulation, upkeep, improvement, equipment, and enlargement of, and additions to, educational institutions known as trade schools and junior colleges. A local trade school committee, chaired by Opp City Schools Superintendent Vernon L. St. John, directed plans for the construction of the technical college located one mile north of downtown Opp on a 100 acre campus provided by the city of Opp and the Covington County Board of Revenue. On November 22, 1965, the College opened its doors admitting 116 students in twelve departments. The campus at that time had four buildings consisting of the George C. Wallace Administration Building and three shop buildings.

Lurleen B. Wallace Junior College in Andalusia had its origin on December 14, 1967 when the Alabama State Board of Education authorized the development of a junior college to be located in Andalusia, Alabama. A Junior College Executive Committee was organized and over \$100,000 was raised locally to purchase land and provide initial capital to start the junior college to serve Butler, Covington, and Crenshaw counties. On August 15, 1968, the State Board of Education named the college the Lurleen Burns Wallace State Junior College in honor of the former governor. In September of 1969, the College opened in the Bethune School, a temporary location leased from the Covington County Board of Education. In May of 1970, the College moved to a new campus consisting of 112 acres, an administrative/classroom building and physical education dressing rooms.

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Brock Kelley, President – Lurleen B. Wallace Community College  
Andalusia, Alabama 36420

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Lurleen B. Wallace Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2020, and related notes to the financial statements which collectively comprise Lurleen B. Wallace Community College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lurleen B. Wallace Community College Foundation, a discretely presented component unit, which represents 100% of the total assets, total net assets and revenues of the component unit. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lurleen B. Wallace Community College Foundation, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Lurleen B. Wallace Community College Foundation were not audited in accordance with **Government Auditing Standards**.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Lurleen B. Wallace Community College, as of September 30, 2020, and Lurleen B. Wallace Community College Foundation, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A), the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

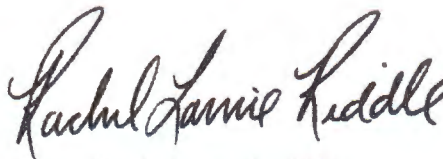
### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lurleen B. Wallace Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10), is presented for the purposes of additional analysis, as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated July 16, 2021, on our consideration of Lurleen B. Wallace Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lurleen B. Wallace Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Lurleen B. Wallace Community College's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 16, 2021

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# Lurleen B. Wallace Community College

## Management's Discussion and Analysis

Lurleen B. Wallace Community College is a public, two-year institution in the Alabama Community College System under the governance of the Alabama State Board of Education. Lurleen B. Wallace Community College was created following the merger and consolidation of Lurleen B. Wallace Junior College and MacArthur State Technical College with final approval being granted on December 9, 2004, by the Alabama State Board of Education.

Lurleen B. Wallace Community College offers career-oriented certificates and associate degrees, as well as university transfer courses and associate degrees. In addition, the College provides workforce development through specialized training for business and industry, non-credit and continuing education, adult education and community services to the residents of its service area. With fundamental principles affirming the value of education, the freedom of teaching and learning, and the worth, dignity and personal development of each individual, the College provides an environment that emphasizes student success and achievement. All programs are supported and offer viable opportunities for educational and professional growth and are accredited by the Southern Association of Colleges and Schools Commission on Colleges.

### ***Overview of the Financial Statements and Financial Analysis***

Lurleen B. Wallace Community College is proud to present its financial statements for fiscal year 2019-2020. There are three financial statements presented: the *Statement of Net Position*; the *Statement of Revenues, Expenses, and Changes in Net Position*; and the *Statement of Cash Flows*. This discussion and analysis of the College's financial statements provide an overview of its financial activities for the year and comparative amounts for the prior year. The institution received an unmodified opinion upon examination of the fiscal year 2018-2019 records by the State of Alabama Department of Examiners of Public Accounts.

### ***Statement of Net Position***

The *Statement of Net Position* presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the fiscal year. The *Statement of Net Position* is a point in time financial statement with comparison between current and prior year information. The purpose of the *Statement of Net Position* is to present to the readers a fiscal snapshot of Lurleen B. Wallace Community College. The *Statement of Net Position* presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows and Net Position (assets minus liabilities).

From the data presented, readers of the *Statement of Net Position* are able to determine the assets available to continue the operations of the College. This includes capital assets held by the College net of depreciation. Readers are also able to determine the College liabilities or how much the institution owes vendors, investors, and lending institutions. Finally, the *Statement of Net Position* provides a picture of the net position and their availability for expenditure by the College.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position which are available to the institution for any appropriate purpose of the institution.

The following schedule is prepared from the College's statement of net position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

#### Statement of Net Position

	2020	2019	Difference
<b>Assets:</b>			
Current Assets	\$ 10,483,600	\$ 9,773,743	\$ 709,857
Noncurrent Assets	200,000	240,000	(40,000)
Capital Assets, Net	13,998,878	13,759,361	239,517
<b>Total Assets</b>	<u>24,682,478</u>	<u>23,773,104</u>	<u>909,374</u>
<b>Deferred Outflow of Resources</b>	<u>2,770,520</u>	<u>2,800,502</u>	<u>(29,982)</u>
<b>Liabilities</b>			
Current Liabilities	2,715,314	3,054,525	(339,211)
Noncurrent Liabilities	20,392,392	24,494,964	(4,102,572)
<b>Total Liabilities</b>	<u>23,107,706</u>	<u>27,549,489</u>	<u>(4,441,783)</u>
<b>Deferred Inflow of Resources</b>	<u>5,649,599</u>	<u>2,093,572</u>	<u>3,556,027</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,200,452	9,674,560	525,892
Restricted – Nonexpendable			
Restricted – Expendable	643,737	686,459	(42,722)
Unrestricted	(12,148,496)	(13,430,474)	1,281,978
<b>Total Net Position</b>	<u>\$ (1,304,307)</u>	<u>\$ (3,069,455)</u>	<u>\$ 1,765,148</u>

Total assets and total liabilities consist of both current and noncurrent portions. Total current assets increased by \$709,857, largely due to a combination of a \$1,072,287 increase in accounts receivable, and a \$419,955 decrease in cash and cash equivalents.

Noncurrent assets consist of capital assets and related accumulated depreciation. Noncurrent assets increased by \$199,517, due largely to a combination of a \$686,592 increase in construction in progress, an increase of \$319,463 in furniture and equipment and an offsetting \$781,234 increase in accumulated depreciation. Non-current assets also include long-term accounts receivable from the City of Greenville totaling \$200,000 which is a decrease of \$40,000 from the prior year.

Current liabilities consist of deposits, accounts payable, unearned revenue, the current portion of compensated absences, the current portion of long-term liabilities and other current liabilities. Total current liabilities decreased by \$339,211, largely due to a combination of a \$216,822 decrease in deposits, a \$124,193 decrease in accounts payable and a \$6,211 decrease in unearned revenue.

Noncurrent liabilities consist of principal amounts due on bonds and lease payables, unfunded pensions and OPEB and the noncurrent portion of compensated absences. Noncurrent liabilities decreased by \$4,102,572. The decrease is largely due to a \$4,527,838 decrease in net OPEB liability, an increase of \$706,000 in net pension liability and a decrease of \$298,606 in principal amounts due on bonds and lease payables.

At September 30, 2020, the College reported a liability of \$12,587,007 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2019, the College's proportion was .113842%, which was a decrease of 0.005659% from its proportion measured as of September 30, 2018.

At September 30, 2020, the College reported a liability of \$3,812,608 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The College's proportion of the collective net OPEB liability was based on the employers' long-term shares of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the College's proportion was 0.101056%, which was a decrease of 0.000425% from its proportion measured as of September 30, 2018.

Capital assets include those with an acquisition cost of \$5,000 or more. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution.

### ***Statement of Revenues, Expenses and Changes in Net Position***

Changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in the *Statement of Revenues, Expenses, and Changes in Net Position*. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

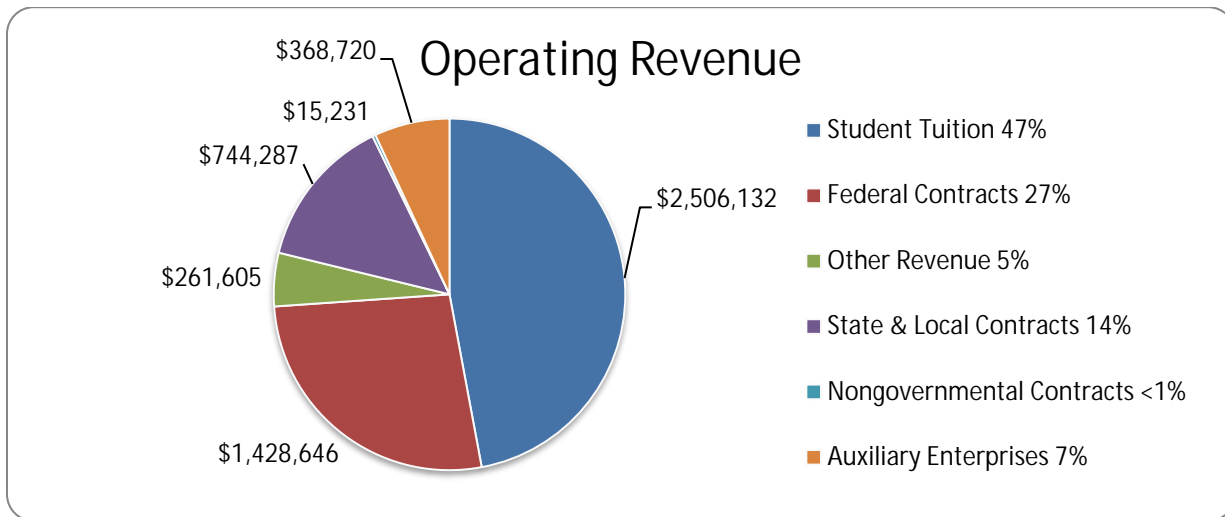
#### **Statement of Revenues, Expenses and Changes in Net Position**

	2020	2019	Difference
Operating Revenues	\$ 5,324,621	\$ 6,252,836	\$ (928,215)
Operating Expenses	17,265,089	18,353,445	1,088,356
Operating Loss	(11,940,468)	(12,100,609)	160,141
Nonoperating Revenues	13,674,956	12,699,422	975,534
Nonoperating Expenses	135,840	122,971	(12,869)
	13,539,116	12,576,451	962,665
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	1,598,648	475,842	1,122,806
Other Revenues, Expenses, Gains or Losses	166,500		166,500
Increase (Decrease) in Net Position	1,765,148	475,842	1,289,306
Net Position at Beginning of Year	(3,069,455)	(3,545,297)	475,842
Net Position at End of Year	\$ (1,304,307)	\$ (3,069,455)	\$1,765,148

Generally speaking, operating revenues are received for providing goods and services to the various students and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating revenues because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

The *Statement of Revenues, Expenses, and Changes in Net Position* reflect an increase of \$1,765,148 in net position at the end of the fiscal year.

The following chart displays the operating revenues by type and their relationship with one another:



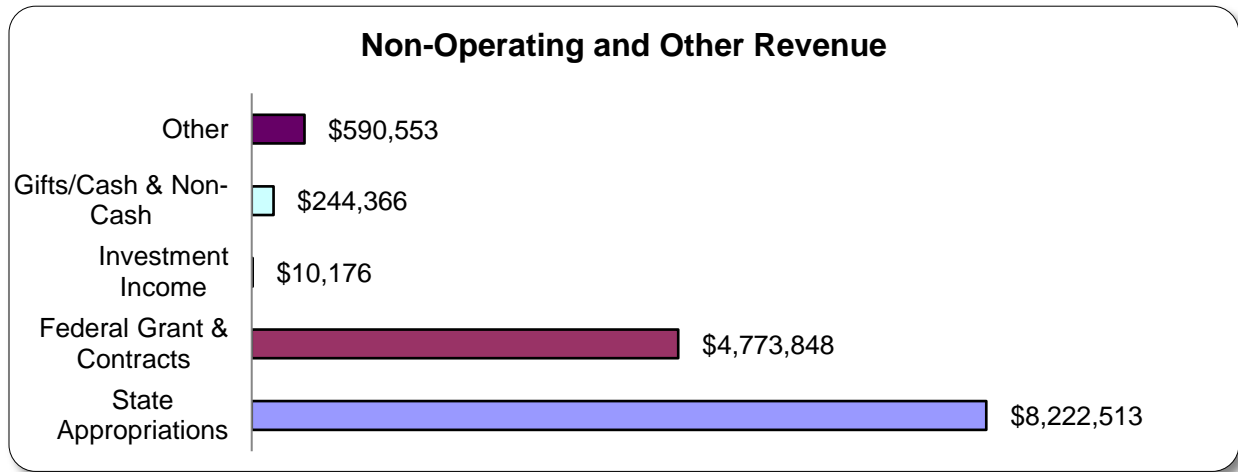
Student tuition and fees (net of scholarship allowances) represent the largest portion of operating revenue at 47 percent. Student tuition and fee revenue derived from Pell Grant is reported as non-operating revenue. Federal contracts were also granted for Work Study, FSEOG, non-Pell student financial aid grants, Title III (Improving Academics and Student Services Grant), National Science Foundation and the Student Support Services TRIO Program.

The College received State grants in Adult Education to cover Covington, Butler, and Crenshaw Counties. The College was awarded a Perkins Basic Grant. LBWCC also received funds to assist students through the Alabama Student Assistant Program, Ready to Work Program, Work Keys, Career Pathways and Career Coach Grants. The College continued to receive money for Career Tech Dual Enrollment in the amount of \$550,000.

During the academic year of 2019-2020, tuition and fees were \$160 per credit hour for in-state students (\$131/credit hour tuition, \$9/credit hour facility fee, \$9/credit hour technology fee, \$10/credit hour special building fee and \$1/credit hour bond reserve fee). During the year, the facility, technology, special building fee and bond reserve fee remained the same. The College is in line with the ACCS tuition and fee guidelines and is at the maximum that can be charged under Board of Trustee Policy.

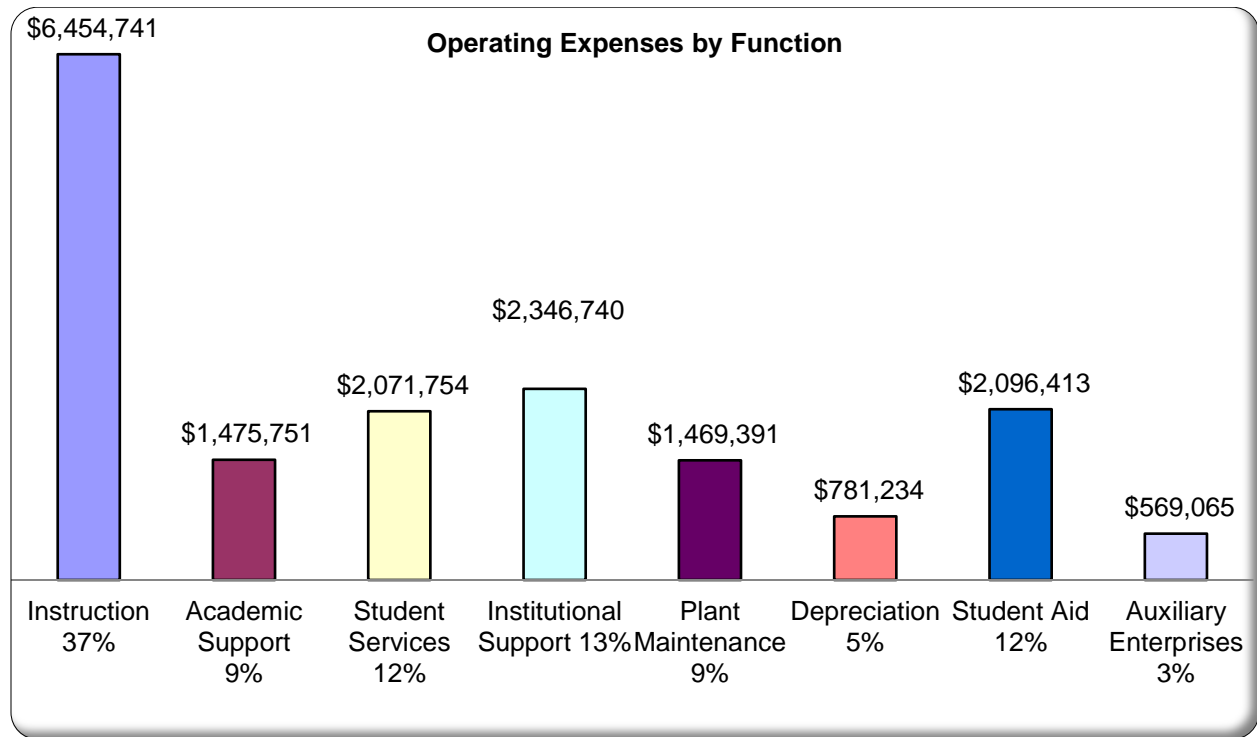
In auxiliary services, the bookstore is self-supporting and stable. The College operates a child development center to complement the Child Development Program on the Andalusia Campus. The child development center changed from a daycare operation to a pre-school program in August, 2012. The child development center is operated as an auxiliary service. On July 1, 2019, the College signed a twenty-five-year capital lease with the LBWCC Foundation for the operations and ownership of the Saints Hall Dormitory. The dormitory houses up to 92 students.

The following chart displays the non-operating revenues by type and their relationship with one another:



Within the non-operating revenues, the College received \$8,222,513 in State appropriations. The College also received \$232,298 in special appropriations, \$257,755 in local appropriations from Covington County Sales Tax revenues and a capital asset valued at \$166,500. The balance of non-operating revenue was generated from federal grants and contracts, investing activities, gifts and the donation of teaching equipment and library books.

As reflected in the following chart, operating expenses are divided into functional areas that represent the College's total operating expenses of \$17,265,089:



Operating expense by functional area decreased by \$1,088,356 as compared to the prior fiscal year. The expenses associated with the TRIO programs were the major contributors to the decrease in operational expenses. The TRIO programs concluded and were not renewed during the fiscal year. Non-Operating cost increased by \$12,869 for the fiscal year.

### ***Statement of Cash Flows***

The final statement presented by the College is the *Statement of Cash Flows* which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing purposes. The third section reflects the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position*.

**Statement of Cash Flows**  
**For the Year Ended September 30, 2020**

	2020	2019
Cash Provided (used) by:		
Operating Activities	\$(11,657,078)	\$(11,531,442)
Noncapital Financing Activities	12,484,109	12,670,001
Capital Financing Activities	(1,257,162)	(471,422)
Investing Activities	10,176	17,574
Net Change in Cash	(419,955)	684,711
Cash, Beginning of Year	6,628,513	5,943,802
Cash, End of Year	<u>\$ 6,208,558</u>	<u>\$ 6,628,513</u>

The primary cash receipts from operating activities consist of tuition and fees, grants and contracts. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships.

State appropriations are the primary source of noncapital financing activities. This source of revenue is categorized as non-operating even though the College's budget depends on this to continue the current level of operations. Other non-operating activities include Pell Grant, CARES Act funding, donations/gifts, local tax appropriations and other miscellaneous revenues.

Investing activities reflect purchase, sales and interest income earned on investments. Investments identified in the cash flow statement as investing activities include both short-term and long-term investments.

***Economic Outlook***

The College's overall financial position is currently strong. However, based on state and national economic conditions, the College is concerned about future proration and reductions in the state allocation. Other concerns include the increasing cost of maintenance and restoration of the College's aging buildings.

The College will maintain a close guard over resources to preserve the College's ability to react to unknown internal and external issues. The College will adhere to established ACCS guidelines, which are based on sound financial judgments. The College will take steps to meet the needs of students and the community while remaining financially conservative.

The COVID-19 pandemic affected the College's enrollment for the Summer and Fall terms of 2020 as well as the Spring 2021 term when comparisons are made to prior years. This pandemic has had a global effect on virtually all types of business operations and is expected to have a significant effect on the College's financial position during fiscal year 2020-2021. The College will minimize these negative financial effects with more than \$3 million received from the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) grant. Furthermore, the College expects enrollment growth to resume after vaccinations for COVID-19 are administered during 2021. The College will maintain a close watch over resources in order to assure the College's ability to react to unexpected internal and external issues.

The College is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2020***

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 6,208,558.56
Deposit with Bond Trustee	251,543.75
Accounts Receivable	3,755,180.33
Inventories	268,318.80
Total Current Assets	<u>10,483,601.44</u>

**Noncurrent Assets**

Accounts Receivable	200,000.00
Capital Assets:	
Land	530,892.50
Improvements Other Than Buildings	1,790,722.82
Buildings	20,441,051.25
Equipment and Furniture	4,697,403.36
Library Holdings	686,941.44
Construction in Progress	721,794.95
Less: Accumulated Depreciation	<u>(14,869,928.70)</u>
Total Capital Assets, Net of Depreciation	<u>13,998,877.62</u>
Total Noncurrent Assets	<u>14,198,877.62</u>
Total Assets	<u>24,682,479.06</u>

**DEFERRED OUTFLOW OF RESOURCES**

Pension	2,107,699.71
Other Postemployment Benefit (OPEB)	662,819.98
Total Deferred Outflow of Resources	<u>\$ 2,770,519.69</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**LIABILITIES****Current Liabilities**

Deposits Held for Others	\$ 123,965.15
Accounts Payable and Accrued Liabilities	1,090,310.75
Unearned Revenue	1,147,658.89
Compensated Absences	54,773.17
Bonds Payable	225,000.00
Lease Payable	73,606.46
Total Current Liabilities	<u>2,715,314.42</u>

**Noncurrent Liabilities**

Compensated Absences	492,958.37
Bonds Payable	1,000,000.00
Lease Payable	2,499,818.81
Net Pension Liability	12,587,007.00
Net OPEB Liability	3,812,608.00
Total Noncurrent Liabilities	<u>20,392,392.18</u>
Total Liabilities	<u>23,107,706.60</u>

**DEFERRED INFLOW OF RESOURCES**

Pension	1,013,662.00
Other Postemployment Benefit (OPEB)	4,635,937.00
Total Deferred Inflow of Resources	<u>5,649,599.00</u>

**NET POSITION**

Net Investment in Capital Assets	10,200,452.35
Restricted for:	
Expendable:	
Loans	6,180.13
Debt Service	637,557.17
Unrestricted	<u>(12,148,496.50)</u>
Total Net Position	<u>\$ (1,304,306.85)</u>

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***Statement of Revenues, Expenses and Changes in Net Position***  
***For the Year Ended September 30, 2020***

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$3,644,651.85)	\$ 2,506,132.40
Federal Grants and Contracts	1,428,645.60
State and Local Grants and Contracts	744,287.04
Nongovernmental Grants and Contracts	15,230.91
Sales and Services of Educational Departments	4,471.61
Auxiliary Enterprises:	
Bookstore (Net of Scholarship Allowances of \$204,239.92)	156,266.10
Campus Housing (Net of Scholarship Allowances of \$150,775.00)	204,050.90
Vending	7,422.66
Child Care Center	980.00
Other Operating Revenues	257,133.76
Total Operating Revenues	<u>5,324,620.98</u>

**OPERATING EXPENSES**

Instruction	6,454,740.51
Institutional Support	2,346,739.67
Academic Support	1,475,751.22
Student Services	2,071,753.91
Operation and Maintenance	1,469,390.49
Scholarships and Financial Aid	2,096,413.29
Depreciation	781,234.36
Auxiliary Enterprises:	
Bookstore	416,947.68
Vending	149.79
Campus Housing	151,671.27
Other	296.73
Total Operating Expenses	<u>17,265,088.92</u>
Operating Income (Loss)	<u>\$ (11,940,467.94)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	\$ 8,540,310.97
Federal Grants	4,773,848.39
Gifts	92,865.55
Local Sales Tax Appropriation	257,754.86
Investment Income	10,176.36
Interest on Capital Asset Related Debt	(109,193.79)
Other Nonoperating Revenues (Expenses)	(26,646.50)
Net Nonoperating Revenues	<u>13,539,115.84</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>1,598,647.90</u>
Capital Grants, Contracts and Gifts	<u>166,500.02</u>
Changes in Net Position	<u>1,765,147.92</u>
Total Net Position - Beginning of Year	<u>(3,069,454.77)</u>
Total Net Position - End of Year	<u><u>\$ (1,304,306.85)</u></u>

# ***Statement of Cash Flows***

## ***For the Year Ended September 30, 2020***

### **CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 2,608,649.30
Grants and Contracts	1,851,357.27
Payments to Suppliers	(2,927,347.90)
Payments to Utilities	(452,927.12)
Payments to Employees	(8,598,662.77)
Payments for Benefits	(2,800,479.36)
Payments for Scholarships	(2,096,413.29)
Auxiliary Enterprise Charges:	
Bookstore	277,330.88
Campus Housing	204,050.90
Vending	7,422.66
Child Care Center	980.00
Sales and Services of Educational Activities	4,471.61
Other Receipts	264,489.27
Net Cash Provided (Used) by Operating Activities	<u>(11,657,078.55)</u>

### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	8,540,310.97
Federal Grants	3,841,220.17
Local Sales Tax Appropriations	257,754.86
Bond Surety Fee Expense	(31,220.00)
Gifts and Grants for Other Than Capital Purposes	92,865.55
Agency Transactions	(216,822.21)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>12,484,109.34</u>

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	(1,020,750.61)
Capital Grants and Gifts	166,500.02
Principal Paid on Capital Debt and Leases	(286,375.96)
Interest Paid on Capital Debt and Leases	(109,193.79)
Deposit with Trustees	(5,592.50)
Other	(1,749.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,257,161.84)</u>

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	10,176.36
Net Cash Provided (Used) by Investing Activities	<u>10,176.36</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(419,954.69)
Cash and Cash Equivalents - Beginning of Year	6,628,513.25
Cash and Cash Equivalents - End of Year	<u>\$ 6,208,558.56</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**Reconciliation of Net Operating Revenues (Expenses) to Net  
Cash Provided (Used) by Operating Activities:**

Operating Income (Loss) \$ (11,940,467.94)

**Adjustments to Reconcile Net Operating Income (Loss)  
to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	781,234.36
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(99,658.58)
(Increase)/Decrease in Inventories	(51,934.18)
(Increase)/Decrease in Deferred Outflows	29,982.11
Increase/(Decrease) in Accounts Payable	(124,193.03)
Increase/(Decrease) in Compensated Absences	19,980.22
Increase/(Decrease) in Unearned Revenue	(6,210.51)
Increase/(Decrease) in Net Pension Liability	706,000.00
Increase/(Decrease) in Net OPEB Liability	(4,527,838.00)
Increase/(Decrease) in Deferred Inflows	3,556,027.00

Net Cash Provided (Used) by Operating Activities \$ (11,657,078.55)

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***Statement of Financial Position***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**ASSETS**

Cash and Cash Equivalents	\$ 284,097.00
Investments	6,026,454.00
Promises to Give	55,000.00
Capital Lease Receivable, Net	2,644,801.00
Total Assets	<u>9,010,352.00</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accrued Interest Payable	80,831.00
Note Payable	2,644,569.00
Total Liabilities	<u>2,725,400.00</u>

**NET ASSETS**

Without Donor Restrictions (Note 11):	
Board-Designated Endowments	150,000.00
Board-Designated Programs	129,082.00
Undesignated	3,463,920.00
	<u>3,743,002.00</u>
With Donor Restrictions (Note 10):	
Purpose Restrictions	153,547.00
Perpetual in Nature	2,388,403.00
	<u>2,541,950.00</u>
Total Net Assets	<u>6,284,952.00</u>
Total Liabilities and Net Assets	<u>\$ 9,010,352.00</u>

The accompanying Notes are an integral part of the financial statements.

**Statement of Activities**  
**Lurleen B. Wallace Community College Foundation**  
**From July 1, 2019 (Date of Inception), to December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>SUPPORT AND REVENUES</u></b>			
Contributions	\$ 14,763.00	\$ 22,955.00	\$ 37,718.00
Contributed Services	14,400.00		14,400.00
Events and Fundraising	32,181.00		32,181.00
Investment Income (Losses), Net	286,537.00	80,617.00	367,154.00
Net Assets Released from Restrictions:			
Satisfaction of Purpose	260,039.00	(260,039.00)	
Total Support and Revenues	607,920.00	(156,467.00)	451,453.00
<b><u>EXPENSES</u></b>			
Program Expenses:			
Awards and Program Support	584,133.00		584,133.00
Total Program Services	584,133.00		584,133.00
Supporting Expenses:			
Administrative	49,509.00		49,509.00
Fundraising	14,687.00		14,687.00
Total Supporting Services	64,196.00		64,196.00
Total Expenses	648,329.00		648,329.00
Change in Net Assets	(40,409.00)	(156,467.00)	(196,876.00)
NET ASSETS - July 1, 2019 (date of inception)	3,783,411.00	2,698,417.00	6,481,828.00
NET ASSETS - December 31, 2019	\$ 3,743,002.00	\$ 2,541,950.00	\$ 6,284,952.00

The accompanying Notes are an integral part of the financial statements.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2020***

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of Lurleen B. Wallace Community College (the “College”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

#### **A. Reporting Entity**

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Component Unit**

The Lurleen B. Wallace Community College Foundation is organized exclusively for charitable, scientific and educational purposes for the benefit of the College. Because of the significance of the relationship between the College and the Foundation, the Foundation is considered a component unit of the College. The Foundation’s financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2020***

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#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

##### **1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the College to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **2. Receivables**

Accounts receivable relate to amounts due from federal grants, state grants, private grants, third party tuition and auxiliary enterprise sales from the bookstore. The receivables are shown net of allowance for doubtful accounts.

#### **3. Capital Assets**

Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment > \$25,000	Straight-Line	10 years
Equipment < \$25,000	Straight-Line	5 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2020***

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#### **4. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

#### **5. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

#### **6. Compensated Absences**

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

#### **7. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

#### **8. Unearned Tuition and Fee Revenue**

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

#### **10. Postemployment Benefits Other Than Pensions (OPEB)**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to Plan requirements. Benefits are recognized when due and payable in accordance with the terms of the Plan. Subsequent events were evaluated by management through the date the financial statements were issued.

#### **11. Net Position**

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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♦ **Restricted:**

- ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.
- ✓ **Expendable** – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

- ♦ **Unrestricted** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

#### **12. Federal Financial Assistance Programs**

The College participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*).

#### **13. Scholarship Allowances and Student Aid**

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2020***

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#### **Note 2 – Deposits and Investments**

##### **A. Deposits**

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

##### **Deposit With Trustees**

As of September 30, 2020, the College had a cash balance of \$251,543.75 in the principal and interest account administered by its bond trustee.

##### **B. Investments**

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit ratings as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries; 2) U. S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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The College's portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows: 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the College's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The College shall not invest in stripped mortgage backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the "*Alabama Uniform Prudent Management of Institutional Funds Act*", *Code of Alabama 1975*, Sections 19-3C-1 and following.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 3 – Receivables**

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$2,490,137.97
State	532,086.40
Tuition and Fees	918,544.77
Definitive Project Agreement	240,000.00
Other	15,528.81
Less: Allowance for Doubtful Accounts	(241,117.62)
Total Accounts Receivable, Net	<u>\$3,955,180.33</u>

#### **Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	\$ 530,892.50	\$	\$	\$	\$ 530,892.50
Buildings	20,256,594.56	10,636.00		173,820.69	20,441,051.25
Improvements Other Than Buildings	1,790,722.82				1,790,722.82
Equipment > \$25,000	3,084,536.61	200,255.49			3,284,792.10
Equipment < \$25,000	1,293,403.27	119,207.99			1,412,611.26
Construction in Progress	209,023.54	686,592.10		(173,820.69)	721,794.95
Library Holdings	682,882.41	4,059.03			686,941.44
Total	<u>27,848,055.71</u>	<u>1,020,750.61</u>			<u>28,868,806.32</u>
Less: Accumulated Depreciation					
Buildings	8,736,888.06	421,454.25			9,158,342.31
Improvements Other Than Buildings	1,340,471.44	43,548.24			1,384,019.68
Equipment > \$25,000	2,340,185.36	205,474.75			2,545,660.11
Equipment < \$25,000	1,172,892.23	76,410.07			1,249,302.30
Library Holdings	498,257.25	34,347.05			532,604.30
Total Accumulated Depreciation	<u>14,088,694.34</u>	<u>781,234.36</u>			<u>14,869,928.70</u>
Capital Assets, Net	<u>\$13,759,361.37</u>	<u>\$ 239,516.25</u>	<u>\$</u>	<u>\$</u>	<u>\$13,998,877.62</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 5 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

##### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **C. Contributions**

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS were required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$964,699.71 for the year ended September 30, 2020.

#### **D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2020, the College reported a liability of \$12,587,007.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2019, the College's proportion was 0.113842%, which was a decrease of 0.005659% from its proportion measured as of September 30, 2018.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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For the year ended September 30, 2020, the College recognized pension expense of \$1,204,712.94. At September 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 186,000.00	\$ 416,662.00
Changes of assumptions	388,000.00	
Net difference between projected and actual earnings on pension plan investments	438,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,000.00	597,000.00
Employer contributions subsequent to the measurement date	964,699.71	
Total	\$2,107,699.71	\$1,013,662.00

The \$964,699.71 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$(124,000.00)
2022	\$ (44,000.00)
2023	\$ 150,000.00
2024	\$ 161,000.00
2025	\$ (14,000.00)
Thereafter	\$

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### *E. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%

(\*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2018, valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates for TRS were based on the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

#### **F. Discount Rate**

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **G. Sensitivity of the College's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate**

The following table presents the College's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	\$17,088	\$12,587	\$8,779
(Dollar Amounts in Thousands)			

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2019. The auditor's report dated August 18, 2020, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 6 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama), to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

##### **B. Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### C. Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

#### D. OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, the College reported a liability of \$3,812,608.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the College's proportion was 0.101056%, which was a decrease of 0.000425% from its proportion measured as of September 30, 2018.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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For the year ended September 30, 2020, the College recognized OPEB expense of \$(307,217.84), with no special funding situations. At September 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$126,239.00	\$2,923,343.00
Changes of assumptions	182,266.00	1,579,205.00
Net difference between projected and actual earnings on OPEB plan investments	7,865.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	178,169.00	133,389.00
Employer contributions subsequent to the measurement date	168,280.98	
Total	\$662,819.98	\$4,635,937.00

The \$168,280.98 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2021	\$(852,373.00)
2022	\$(852,373.00)
2023	\$(842,382.00)
2024	\$(699,441.00)
2025	\$(761,607.00)
Thereafter	\$(133,222.00)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate at the Measurement Date	5.50%
Single Equivalent Interest Rate at the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

(1) Includes 3.00% wage inflation.

(2) Compounded annually, net of investment expense and includes inflation.

(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2018. However, updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated optional claims costs, and updated participation assumptions were used in this report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	
(*) Geometric mean, includes 2.5% inflation		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **F. Discount Rate**

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019, and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

#### **G. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of the collective net OPEB liability	\$3,057,026	\$3,812,608	\$4,764,230

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **H. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
College's proportionate share of the collective net OPEB liability	\$4,608,421	\$3,812,608	\$3,162,692

#### **I. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### **Note 7 – Other Significant Commitments**

As of September 30, 2020, the College had been awarded approximately \$4,754,693.00 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

#### **Definitive Project Agreement**

The College entered into a Definitive Project Agreement with the City of Greenville for \$800,000.00. The City of Greenville will pay the sum of forty thousand dollars per year to the College beginning January 1, 2007, and on the first day of January each year thereafter for a period of twenty years. These payments are to be made for the purpose of offsetting a portion of the indebtedness incurred by the College in constructing the technology building on the Greenville campus and for the use thereof by the City, its departments, agencies, and public corporations created by and within the City. Amounts due are presented in the chart below:

Fiscal Years	Total
2020-2021	\$ 40,000.00
2021-2022	40,000.00
2022-2023	40,000.00
2023-2024	40,000.00
2024-2025	40,000.00
2025-2026	40,000.00
Total	<u>\$240,000.00</u>

#### **Note 8 – Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at September 30, 2020, for goods and services received prior to the end of the fiscal year.

Accounts Payable	\$ 730,188.92
Salaries and Wages	301,218.57
Benefits	58,903.26
Total	<u>\$1,090,310.75</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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#### Note 9 – Lease Obligations

##### Capital Lease

On June 12, 2019, the Alabama Community College System Board of Trustees authorized Lurleen B. Wallace Community College to enter into an agreement with Lurleen B. Wallace Community College Foundation for the lease, operation and management of the Foundation's student residential property known as Saints Hall. Minimum lease payments for this capital lease together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Years	Saints Hall
2020-2021	\$ 154,026.00
2021-2022	154,026.00
2022-2023	154,026.00
2023-2024	154,026.00
2024-2029	770,130.00
2029-2034	770,130.00
2034-2039	770,130.00
2039-2045	770,659.00
Minimum Lease Payments	3,697,153.00
Less: Amounts Representing Interest	1,123,727.73
Present Value of Net Minimum Lease Payments	<u>\$2,573,425.27</u>

#### Note 10 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds and Lease Payable:</b>					
Lease Payable	\$2,644,801.23	\$	\$ 71,375.96	\$2,573,425.27	\$ 73,606.46
Revenue Bonds	1,440,000.00		215,000.00	1,225,000.00	225,000.00
Total Bonds and Lease Payable	<u>4,084,801.23</u>		<u>286,375.96</u>	<u>3,798,425.27</u>	<u>298,606.46</u>
<b>Other Liabilities:</b>					
Compensated Absences	527,751.32	19,980.22		547,731.54	54,773.17
Total Other Liabilities	<u>527,751.32</u>	<u>19,980.22</u>		<u>547,731.54</u>	<u>54,773.17</u>
Total Long-Term Liabilities	<u>\$4,612,552.55</u>	<u>\$19,980.22</u>	<u>\$286,375.96</u>	<u>\$4,346,156.81</u>	<u>\$353,379.63</u>

Revenue Bonds of \$3,700,000.00 were issued March 2005 to provide funds to construct and equip a Technology Building on the Greenville campus and a Child Development and Child Care Center on the Andalusia Campus.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2020*

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Principal and interest maturity requirements on bond debt are as follows:

Fiscal Years	Revenue Bonds		Totals
	Principal	Interest	
2020-2021	\$ 225,000.00	\$ 48,418.75	\$ 273,418.75
2021-2022	235,000.00	38,609.38	273,609.38
2022-2023	245,000.00	28,109.38	273,109.38
2023-2024	255,000.00	17,171.88	272,171.88
2024-2025	265,000.00	5,796.88	270,796.88
Totals	\$1,225,000.00	\$138,106.27	\$1,363,106.27

#### **Pledged Revenues**

Lurleen B. Wallace Community College has pledged student tuition fee revenues to repay \$3,700,000.00 in Revenue Bonds, Series 2005 issued in March 2005 to provide funds for financing capital improvements. Future revenues in the amount of \$1,363,106.27 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$5,765,588.09 were received during the fiscal year ended September 30, 2020, with \$272,495.00 being used to pay principal and interest payments during this fiscal year. The Series 2005 Bonds are scheduled to mature in fiscal year 2025.

#### **Note 11 – Risk Management**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Chief Financial Officer and Senior Personnel Officer, Director of Financial Aid, as well as on all other College personnel who handle funds.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2020***

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Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

#### **Note 12 – Component Unit**

The Lurleen B. Wallace Community College Foundation is a discretely presented component unit of the College's financial statements because it operates almost exclusively for the benefit of the College. Separate financial statements of the Lurleen B. Wallace Community College Foundation can be obtained from the Foundation's auditors Rabren, Odom, Pierce & Hayes, P.C., 1600 Dr. Martin Luther King, Jr. Expressway, Andalusia, Alabama 36420.

#### **Note 13 – Subsequent Event**

On March 10, 2021, the Alabama Community College System Board of Trustees approved the refunding of Revenue Bond Series 2005 and refunding of the 2013 USDA Foundation Lease for fiscal considerations of \$1,000,000 and \$2,499,711, respectively.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Note 1 – Nature of the Organization**

Lurleen B. Wallace Community College Foundation (the “Foundation”), a component unit of Lurleen B. Wallace Community College, is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal and state income taxes. The Foundation is organized for educational, scientific, and charitable purposes, and specifically to assist and aid Lurleen B. Wallace Community College in fulfilling and performing its educational and public service programs and activities. The Foundation receives, administers, and distributes funds for the benefit of Lurleen B. Wallace Community College.

**Note 2 – Merger**

Pursuant to an agreement and plan of merger effective June 30, 2019, Lurleen B. Wallace Community College Foundation (Entity 1) and Douglas MacArthur State Technical College Foundation (Entity 2) merged to form a new entity. The name of the new merged entity is Lurleen B. Wallace Community College Foundation. The two merged entities were organized for educational, scientific, and charitable purposes and both shared the common mission of supporting Lurleen B. Wallace Community College. Through their merger, the entities together as one will seek to further their common mission of securing resources for Lurleen B. Wallace Community College for the continued support of their educational scholarships and other college programs and use gifts received to support and build educational opportunities for individuals in the communities it serves.

There are no accounting policy differences that affect the statement of activities; thus, no adjustments to the opening balance of Lurleen B. Wallace Community College Foundation’s net asset classes are necessary.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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The following schedule reports the amounts recognized as of the merger date for each major class of assets, liabilities, and net assets:

Major Classes of Assets, Liabilities and Net Assets As of Merger Date: June 30, 2019			
	Entity 1	Entity 2	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 350,526	\$ 34,318	\$ 384,844
Cash and Cash Equivalents – Restricted	188,917	-	188,917
Investments	4,830,195	1,503,345	5,883,540
Promises to Give	65,000	-	65,000
Capital Lease Receivables, Net	2,644,801	-	2,644,801
Total Assets	7,629,439	1,537,663	9,167,102
<b>Liabilities:</b>			
Accrued Interest Payable	40,705	-	40,705
Note Payable	2,644,569	-	2,644,569
Total Liabilities	2,685,274	-	2,685,274
<b>Net Assets:</b>			
Without Donor Restrictions:			
Board – Designated Endowments	150,000	-	150,000
Board – Designated Programs	82,934	37,126	120,060
Debt Service Reserves	188,634	-	188,634
Undesignated	2,752,662	572,055	3,324,717
	3,174,230	609,181	3,783,411
With Donor Restrictions:			
Purpose Restrictions	246,125	77,844	323,969
Perpetual in Nature	1,523,810	850,638	2,374,448
	1,769,935	928,482	2,698,417
Total Net Assets	4,944,165	1,537,663	6,481,828
Total Liabilities and Net Assets	\$7,629,439	\$1,537,663	\$9,167,102

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Note 3 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of Lurleen B. Wallace Community College Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Financial Statement Presentation**

The Foundation's net assets, support, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- ◆ **Net Assets with Donor Restrictions** consists of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions restricted by the donor that stipulate the resources be maintained in perpetuity, allowing only the income derived from the contributions be used for specified purposes.
- ◆ **Net Assets without Donor Restrictions** represent funds that are not subject to donor-imposed restrictions and are available for support of the operations of the Foundation.

Board designated net assets are net assets without donor restrictions that have been designated for specific uses by the Foundation's Board of Directors. These designations are subject to changes at the direction of the Board of Directors.

Revenues and contributions are reported as increases in net assets without donor restrictions absent donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets are reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. As of December 31, 2019, the Foundation had cash and cash equivalents in the amount of \$284,097.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Net investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in net assets without donor restrictions, unless such income or loss is subject to donor restrictions.

**Fair Value Measurements**

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

*Level 1 Inputs* – Unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2 Inputs* – Observable inputs other than quoted prices in active markets for identical assets or liabilities, which are either directly or indirectly observable as of the reporting date, and models or other valuation methodologies are used to determine fair value.

*Level 3 Inputs* – Unobservable inputs for which there is little or no market data available for the asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

**Revenue Recognition**

Revenues are recorded on the accrual basis. Revenues are recognized when promised or pledged.

**Contributions**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Contributed Services**

The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Expenses**

Expenses are recognized in the period they are incurred. If an expense, such as an award scholarship, includes conditions, the Foundation recognizes the expense when the conditions are met.

**Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Identifiable costs are directly applied to the related program or service. Any allocated expenses are allocated based on direct involvement or estimates of time and effort.

**Use of Estimates**

Management uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**Tax Status**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as other than a private foundation. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2018, and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Note 4 – Liquidity and Availability of Financial Assets**

The following schedule represents the Foundation's financial assets as of December 31, 2019, reduced by amounts unavailable for general expenditure within one year of the statement of financial position date.

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 284,097
Promises to Give	55,000
Investments at Fair Value	6,026,454
Total Financial Assets at Year-End	6,365,551
Less Amounts Unavailable for General Expenditures Within One Year:	
Donor – Restricted Endowments	2,388,403
Donor – Restricted for Specific Scholarship Awards	153,547
Board – Designated Endowments	150,000
Board – Designated Programs	129,082
Total Amounts Unavailable for General Expenditures Within One Year	2,821,032
Financial Assets Available for General Expenditures Within One Year	\$3,544,519

The Foundation manages its financial assets to provide adequate liquidity for general expenditures and operations while operating within a prudent range of financial soundness and stability to safeguard the principal endowments and other donor-restricted funds. Investment guidelines are detailed in the Foundation's Investment Policy which allows the investment portfolio to be allocated among asset classes in order to achieve this objective.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Note 5 – Investments**

Investments at December 31, 2019, are carried at fair value and are summarized below:

Money Market Funds	\$ 38,643
Mutual Funds	4,874,193
Corporate and Government Bonds	103,432
Stocks	878,649
Asset and Mortgage Backed Securities	5,032
REITS/Tangibles	93,280
Unit Trusts	71,868
	<u>\$6,065,097</u>

The Foundation's investments are exposed to various risks related to interest rates and the market. Due to potential volatility in the financial markets, changes in the investment values could occur that could materially affect the reported values in the accompanying statement of financial position.

The following schedule summarizes investment returns and losses and their classification in the statement of activities from July 1, 2019 (date of inception) to December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 55,575	\$42,075	\$ 97,650
Capital Gain Distributions	41,490	23,221	64,711
Realized Gains, Net	14,255	15,321	29,576
Unrealized Gains, Net	175,217	0	175,217
	<u>\$286,537</u>	<u>\$80,617</u>	<u>\$367,154</u>

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Fair Value Measurements**

Fair values of assets measured within the fair value hierarchy on a recurring basis at December 31, 2019, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money Market Funds	\$ 38,643
Mutual Funds	4,874,193
Corporate and Government Bonds	103,432
Stocks	878,649
Asset and Mortgage Backed Securities	5,032
REITS/Tangibles	93,280
Unit Trusts	71,868
	<u>\$6,065,097</u>

**Note 6 – Capital Lease Receivable**

As authorized by the Alabama Community College System, a body corporate of the State of Alabama, Lurleen B. Wallace Community College Foundation entered into an agreement with Lurleen B. Wallace Community College for the lease, operation and management of the student residential property known as Saints Hall Apartments. On June 12, 2019, prior to the merger, the Saints Hall Apartment buildings and related capital assets, receivables and debt service cash reserve funds were transferred to Lurleen B. Wallace Community College pursuant to the lease agreement.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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The following schedule provides components of the capital lease receivable as of December 31, 2019, and future minimum lease payments to be received:

Year Ending	
December 31, 2020	\$ 154,026
2021	154,026
2022	154,026
2023	154,026
2024	154,026
2025-2045	3,081,049
Total Minimum Lease Payments to be Received	3,851,179
Less: Unearned Income	(1,206,378)
Capital Lease Receivable, Net	<u>\$ 2,644,801</u>

**Note 7 – Promises to Give**

Promises to give in the amount of \$55,000 as of December 31, 2019, are unconditional and are expected to be fully collectible; therefore, no allowance for uncollectible promises receivable was necessary as of December 31, 2019.

**Note 8 – Debt**

The following is a summary of the Foundation's long-term debt:

	Balance 7/1/2019	Additions	Deletions	Balance 12/31/2019
United States Department of Agriculture Loan at 3.125% maturing January 8, 2044, Secured by Real Estate:	<u>\$2,644,569</u>	\$	\$	<u>\$2,644,569</u>

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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Long-term debt maturities are as follows:

Year Ending	Principal	Interest
December 31, 2020	\$ 71,383	\$ 82,643
2021	73,614	80,412
2022	75,914	78,112
2023	78,287	75,739
2024	80,733	73,293
2025 and Thereafter	2,264,638	816,411
	<u>\$2,644,569</u>	<u>\$1,206,610</u>

The debt service cash reserve accounts related to the Foundation's long-term debt with the United States Department of Agriculture are maintained by Lurleen B. Wallace Community College pursuant to the capital lease agreement for the lease and operations of the Saints Hall Apartments.

**Note 9 – Endowment Funds**

**Endowment Funds**

As of December 31, 2019, the Foundation had donor-restricted endowment net assets that consisted of one hundred fifteen individual funds established for future scholarships and programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation had six board-designated endowment funds as of December 31, 2019.

**Interpretation of Relevant Law**

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions due to endowment funds (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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The remaining portion of the donor-restricted endowment fund that is time or purpose restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- ◆ The duration and preservation of the various funds
- ◆ The purposes of the donor-restricted endowment funds
- ◆ General economic conditions
- ◆ The possible effect of inflation and deflation
- ◆ The expected total return from income and the appreciation of investments
- ◆ Other resources of the Foundation
- ◆ The Foundation's investment policies.

The Foundation has adopted an investment policy for endowment assets that attempts to maximize total return consistent with an acceptable level of risk that will provide predictable funding to maintain expenditures supported by its endowment. The Foundation operates to provide equitable benefit from the endowment for current and future programs. Appropriation of funds for scholarships, programs and operating expenses are determined by the return on the endowment assets.

Endowment net asset composition as of December 31, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions
<u>Donor Restricted Endowment Funds:</u>		
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor Board Designated Endowment Funds	\$ 150,000	\$2,388,403
Accumulated Investment Return		92,161
Total Endowment Funds	<u>\$150,000</u>	<u>\$2,480,564</u>

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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Changes in endowment net assets as of December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2019	\$150,000	\$2,498,359	\$2,648,359
Investment Income		80,617	80,617
Contributions		13,954	13,954
Net Assets Released from Restrictions		(112,366)	(112,366)
Endowment Net Assets, December 31, 2019	\$150,000	\$2,480,564	\$2,630,564

**Return Objectives, Risk Parameters and Spending Policy**

The Foundation adheres to its investment policy, which was adopted for all investments including endowments. The objective is to provide predictable streams of funding for scholarships and programs supported by the endowment assets and avoid asset depreciation. The Foundation attempts to achieve these objectives by allocating the investments among various asset classes such as core domestic and international equities, fixed income securities, and cash equivalents. The Foundation has established scholarship award levels based upon individual endowment fund balances and pursuant to donor agreements. The Foundation expects this current spending policy to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Underwater Endowment**

Endowments are considered underwater if the fair value is less than the sum of (1) the original value of initial and subsequent gifts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor direction. As of December 31, 2019, the Foundation had no underwater endowment funds.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Note 10 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019:

<u>Subject to Expenditure for Specified Purpose:</u>	
Scholarships and Awards	\$ 61,386
<u>Endowments:</u>	
Subject to be Held in Perpetuity	2,388,403
<u>Subject to Appropriation and Expenditure when Specified Event Occurs:</u>	
Scholarships and Awards	92,161
Total Endowments	2,480,564
Total Net Assets with Donor Restrictions	\$2,541,950

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as specified by the donors from July 1, 2019 (date of inception) to December 31, 2019, as follows:

<u>Satisfaction of Purpose Restrictions:</u>	
Scholarships and Awards	\$120,761
College Support – New Bus	139,278
Total	\$260,039

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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**Note 11 – Net Assets without Donor Restrictions**

Net assets without donor restrictions were comprised of the following as of December 31, 2019:

<u>Board – Designated</u>	
<u>Spendable:</u>	
College Scholarships and Awards	\$ 57,095
College Program Support	71,987
<u>Quasi Endowment:</u>	
College Scholarships and Awards	150,000
Total Board – Designated	279,082
<u>Undesignated</u>	
<u>Spendable:</u>	
Foundation Funds	3,463,920
Total Net Assets Without Donor Restrictions	\$3,743,002

**Note 12 – Credit Risk**

The Foundation's cash and cash equivalents are on deposit with commercial banks. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for each interest-bearing account. It is possible that at times, the Foundation could have cash balances in excess of the FDIC insured limit. The Foundation has not experienced any losses in the deposit accounts and is confident that it is not exposed to any significant credit risk in this regard.

**Note 13 – Related-Party Transactions**

The Foundation is considered a component unit of Lurleen B. Wallace Community College and is presented as such in the College's financial statements.

The Foundation received in-kind services related to administration of its operations from staff employed by Lurleen B. Wallace Community College. The Foundation estimates the fair value of these administrative services to be \$14,400 for the six-month period ended December 31, 2019. This amount has been reported as contributed services and administrative expenses in the statement of activities.

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***Notes to the Financial Statements***  
***Lurleen B. Wallace Community College Foundation***  
***December 31, 2019***

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From July 1, 2019 to December 31, 2019, Lurleen B. Wallace Community College provided office space, utilities, use of equipment and supplies to the Foundation. The values of these in-kind contributions have not been estimated and are not reflected in these financial statements.

The Foundation transferred cash and noncash assets to Lurleen B. Wallace Community College pursuant to the capital lease agreement for the Saints Hall student apartments.

**Note 14 – Subsequent Events**

Subsequent to December 31, 2019, due to the COVID-19 crisis, the world has experienced business and social disruption. On January 30, 2020, the coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization. Certain Foundation investments, income and expenses could be adversely affected. The extent to which the coronavirus may impact the Foundation's financial statements will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Subsequent events have been evaluated through December 21, 2020, which is the date the financial statements were available to be issued.

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## *Required Supplementary Information*

***Schedule of the College's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2020***  
***(Dollar amounts in thousands)***

	2020	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.113842%	0.119501%	0.119474%	0.116715%	0.122140%	0.119788%
College's proportionate share of the collective net pension liability	\$ 12,587	\$ 11,881	\$ 11,742	\$ 12,636	\$ 12,783	\$ 10,882
College's covered payroll during the measurement period (*)	\$ 8,121	\$ 7,993	\$ 7,888	\$ 7,400	\$ 7,670	\$ 7,567
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	154.99%	148.64%	148.86%	170.76%	166.66%	143.81%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2020, the measurement period for covered payroll is October 1, 2018 through September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the College's Contributions - Pension***  
***For the Year Ended September 30, 2020***  
***(Dollar amounts in thousands)***

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 965	\$ 990	\$ 959	\$ 935	\$ 877	\$ 873
Contributions in relation to the contractually required contribution	\$ 965	\$ 990	\$ 959	\$ 935	\$ 877	\$ 873
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 7,931	\$ 8,121	\$ 7,993	\$ 7,888	\$ 7,400	\$ 7,670
Contributions as a percentage of covered payroll	12.17%	12.19%	12.00%	11.85%	11.85%	11.38%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based. This is also known as pensionable payroll. For fiscal year 2020, the covered payroll is for the reporting fiscal year October 1, 2019 through September 30, 2020.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

***Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2020***  
***(Dollar amounts in thousands)***

	2020	2019	2018
College's proportion of the collective net OPEB liability	0.101056%	0.101481%	0.098289%
College's proportionate share of the collective net OPEB liability (asset)	\$ 3,813	\$ 8,340	\$ 7,300
College's covered-employee payroll during the measurement period (*)	\$ 7,939	\$ 7,855	\$ 7,733
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	48.02%	106.18%	94.41%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

(\*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2020 year is October 1, 2018 through September 30, 2019.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2020***  
***(Dollar amounts in thousands)***

	2020	2019	2018
Contractually required contribution	\$ 168	\$ 287	\$ 249
Contributions in relation to the contractually required contribution	<u>\$ 168</u>	<u>\$ 287</u>	<u>\$ 249</u>
Contribution deficiency (excess)	\$	\$	\$
College's covered-employee payroll	\$ 7,792	\$ 7,939	\$ 7,855
Contributions as a percentage of covered-employee payroll	2.16%	3.62%	3.17%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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## ***Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB) For the Year Ended September 30, 2020***

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### **Changes in Actuarial Assumptions**

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

### **Recent Plan Changes**

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2020***

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**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2019, is determined based on the actuarial valuation as of September 30, 2016. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>Student Financial Assistance Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 42,505.00
Federal Work-Study Program	84.033			128,729.69
Federal Pell Grant Program	84.063			3,883,544.04
Total Student Financial Assistance Cluster				<u>4,054,778.73</u>
<b><u>Research and Development Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
Higher Education - Institutional Aid	84.031			425,846.12
<b><u>TRIO Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
TRIO - Student Support Services	84.042			549,995.79
<b><u>WIOA Cluster</u></b>				
<b><u>U. S. Department of Labor</u></b>				
<b><u>Passed Through Alabama Department of Commerce</u></b>				
WIOA Adult Program	17.258	8X601551		70,000.00
WIOA Adult Program	17.258	N.A.		73,480.69
Total WIOA Adult Program				<u>143,480.69</u>
WIOA Youth Activities	17.259	N.A.		6,523.15
WIOA Dislocated Worker Formula Grants	17.278	N.A.		270,139.05
Total WIOA Cluster				<u>420,142.89</u>

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>Other Federal Awards</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E			\$ 628,058.40
HEERF Strengthening Institutions Program (SIP)	84.425M			45,620.30
Total Higher Education Emergency Relief Fund (HEERF)				<u>673,678.70</u>
<b><u>Passed Through Alabama Community College System</u></b>				
Adult Education - Basic Grants to States	84.002	0920AE090		108,127.14
<b><u>Passed Through Alabama State Department of Education</u></b>				
Career and Technical Education - Basic Grants to States	84.048	V048A190001		115,590.86
<b><u>U. S. Department of the Treasury</u></b>				
<b><u>Passed Through State of Alabama Department of Finance</u></b>				
Coronavirus Relief Fund	21.019	20GEERFHLHLBW01		<u>57,180.95</u>
Total Expenditures of Federal Awards				<u>\$ 6,405,341.18</u>

N.A. = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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## ***Notes to the Schedule of Expenditures of Federal Awards***

### ***For the Year Ended September 30, 2020***

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#### **Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Lurleen B. Wallace Community College, under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Lurleen B. Wallace Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lurleen B. Wallace Community College.

#### **Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 – Indirect Cost Rate**

Lurleen B. Wallace Community College has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

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## *Additional Information*

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***College Officials***  
***October 1, 2019 through September 30, 2020***

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<b>Officials</b>	<b>Position</b>
Jimmy Baker	Chancellor – Alabama Community College System
Bryan Helms	Acting President (Until January 1, 2020)
Dr. Chris Cox	Interim President (Beginning January 2, 2020)
Lisa Carnley	Chief Financial Officer and Senior Personnel Officer

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Brock Kelley, President – Lurleen B. Wallace Community College  
Andalusia, Alabama 36420

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of Lurleen B. Wallace Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Lurleen B. Wallace Community College's basic financial statements, and have issued our report thereon dated July 16, 2021. Our report includes a reference to other auditors who audited the financial statements of Lurleen B. Wallace Community College Foundation as described in our report on Lurleen B. Wallace Community College's financial statements. The financial statements of Lurleen B. Wallace Community College Foundation were not audited in accordance with ***Government Auditing Standards***.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lurleen B. Wallace Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lurleen B. Wallace Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Lurleen B. Wallace Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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## ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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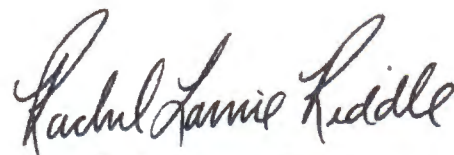
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lurleen B. Wallace Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 16, 2021

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# ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Brock Kelley, President – Lurleen B. Wallace Community College  
Andalusia, Alabama 36420

## **Report on Compliance for Each Major Federal Program**

We have audited Lurleen B. Wallace Community College's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on each of Lurleen B. Wallace Community College's major federal programs for the year ended September 30, 2020. Lurleen B. Wallace Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. The financial statements of Lurleen B. Wallace Community College Foundation were not audited in accordance with the *Uniform Guidance*, accordingly, this report does not extend to Lurleen B. Wallace Community College Foundation.

## **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with each of Lurleen B. Wallace Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lurleen B. Wallace Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lurleen B. Wallace Community College's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Lurleen B. Wallace Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

### **Report on Internal Control Over Compliance**

Management of Lurleen B. Wallace Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lurleen B. Wallace Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lurleen B. Wallace Community College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

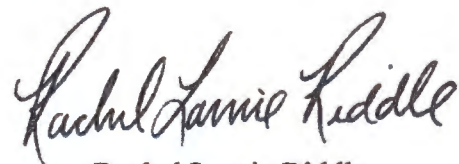
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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 16, 2021

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2020***

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### **Section I – Summary of Examiner's Results**

#### **Financial Statements**

Type of report the auditor issued on whether the  
audited financial statements were prepared  
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ Yes      X   No

#### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance  
for major federal programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a) of the *Uniform Guidance*?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
84.063	<u>Student Financial Assistance Cluster</u>
84.007	Federal Pell Grant Program
	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2020***

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**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

**Section III – Federal Awards Findings and Questioned Costs**

No matters were reportable.